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SUBJECT: EU/ARMS EXPORTS/CHINA: 2003 REPORT SHOWS INCREASED
LICENSE ISSUANCES

REF: REIDHEAD-ERATH ET. AL. E-MAIL 12/21/04

1. On December 21 the EU released its 6th Annual Report on the Code of Conduct for arms exports, covering CY 2003. The report, compiled each year by the COARM (conventional arms exports) working group of Member State licensing authorities, covers the value and quantity of export licenses issued for military equipment by EU governments. Worldwide licenses granted by EU Member States in 2003 were valued at 28.3 billion Euros (31,038 licenses issued; 360 licenses denied). For China (excluding Hong Kong and Macau), the EU issued 159 licenses valued at 415.8 million Euros, with 43 denials. This is almost double the 209.8 million reported (by the EU-15) for 2002 and reflects an almost fourfold increase in average per-license value. At the same time, EU Member States report only Euros 1.7 million worth of physical exports to China in 2003. Top license issuers were France (96 licenses valued at Euros 171.5 million), Italy (3 licenses valued at Euros 127 million) and the UK (40 licenses valued at Euros 112.5 million). The Czech Republic and Germany approved much smaller amounts (Euros 3.6 million and Euros 1.1 million, respectively).

2. For the first time, the 2003 report disaggregates the license issuance data by equipment category in the EU Common Military List (but only for those Member States willing or able to supply such data). The report is based on data volunteered by Member States and covers only equipment in the Wassenaar-derived EU Common Military List (EURL). It does not cover brokering, transit and transshipment, licensing for overseas production, or intangible technology transfers, although these transactions are being considered for inclusion in a strengthened Code of Conduct slated for adoption during 2005. The report does not include data from Lithuania, Estonia or Cyprus (which were unable or unwilling to provide it).

3. The 2003 COARM Report and EU Common Military List are available at
<http://www.ue.eu.int/cms3/fo/showPage.asp?id=408&lang=en>

McKinley